

Property Taxes

Property Tax and Non Levy Revenue

Property Tax 55 Mill

Property Tax 40 Mill

Property Tax 6 Mill

Property Tax 1.5 Mill



Legislative Fiscal Division



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Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

Property Tax

Revenue Description: Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. Beginning January 1, 2003, livestock is no longer taxed.

Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. In the 1997 legislative session, SB 195 forestalled large property tax increases by phasing in the new reappraisal values at 2 percent per year, and phasing down tax rates over 50 years. These provisions were in effect for two years. After these provisions were struck down by the Montana Supreme Court, SB184, passed during the 1999 session, required that appraised values be phased-in over four years, and required that future reappraisal cycles be six years. At the same time, a homestead exemption was created and phased-in for residential and commercial real estate. Tax rates for residential and commercial real estate, agricultural land and timberland were phased-down.

Beginning January 1, 2003, residential and commercial property as well as agricultural land and timberland reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. Without mitigation, the impact of reappraisal on assessed values is expected to increase the market value of the average residence by 202 percent over the next six years. The equivalent increases for commercial property are 18.5 percent and for agricultural land by 15.3 percent. In the absence of mitigation, tax rates and the homestead exemptions for tax years 2003 and beyond are frozen at their tax year 2002 levels and require legislation to be changed.

The legislature did pass a reappraisal mitigation bill. See the legislation section to find information on SB 461.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the local share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

Summary of Legislative Action:

House Bill 748 – Under prior law, revenue from the oil and natural gas production tax was distributed between state and local governments. A portion of the local government share was returned to the state general fund as 95 mill and 6 mill non levy revenue. With the passage of House Bill 748, beginning tax year 2003, the distribution each county receives is fixed and the state 95 mill and 6 mill share is captured upfront. The state general fund will lose \$12,331,776 in fiscal 2004 and \$12,230,315 in fiscal 2005 of 95 mill non levy revenue, but will receive increases of oil and natural gas production tax revenue in the same amounts. The 6 mill state special revenue account will lose \$814,390 in fiscal 2004 and \$808,001 in fiscal 2005 of non levy revenue, but will receive increases in oil and natural gas production tax revenue in the same amounts. The fiscal impacts of these increases are shown under the "Oil and Natural Gas Production Tax" revenue source.

Under prior law, payments from counties to the general fund for 95 mill non levy revenue and to the 6 mill state special revenue account were made in August and represent revenue associated with production of oil and natural gas in the first quarter of the calendar year. This revenue was recorded as revenue in the next fiscal year. Under House Bill 748, this money will be deposited in the respective accounts at the end of May (60 days after the end of the production quarter) and will be recorded as oil and natural gas production tax revenue in the current fiscal year, fiscal 2003. Because the state receives its share earlier than under prior law, there is a one-time acceleration of \$3,272,910 in oil and natural gas production tax revenue in fiscal 2003 (the fiscal impact of this increase is shown under the "Oil and Natural Gas Production Tax" revenue source).

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

Of the portion of oil and natural gas production tax revenue remaining after distribution to the counties, the following state percentage distributions apply:

- Fiscal 2003
 - \$400,000 to the coal bed methane protection account
 - the remainder to the general fund
- Fiscal 2004 through Fiscal 2011 (as a result of coordination between HB748 and HB 584)
 - 1.23 percent to the coal bed methane protection account
 - 2.95 percent to the reclamation and development grants account
 - 2.95 percent to the orphan share account
 - 2.65 percent to the 6 mill account for the university system
 - all remaining funds to the general fund.

Counties receive approximately the same as they did under prior law, with small exceptions. Under prior law, five percent of revenue from pre-1999 wells was allocated between counties based on production in 1997. This bill allocates taxes on production in 2003 between counties in the same proportion as taxes were allocated under prior law for production in 2001 and 2002. It allocates taxes on production in 2006 in proportions that taxes on production in 2001 and 2002 would have been allocated without the redistribution based on 1997 production. The change is phased-in over the intervening years. This will result in less revenue going to counties that are net recipients of the redistribution in prior law and more revenue going to the other counties. Once counties receive the revenue, it is distributed in fixed proportions to county government, school districts, the countywide retirement and transportation funds. The allocations of revenue to the Board of Oil & Gas Conservation, coal bed methane protection account, reclamation and development grants account, and the orphan share account remain the same as under prior law. Under prior law, the orphan share account and associated funding sources sunset at the end of fiscal 2005. House Bill 748 in conjunction with House Bill 584 continues the allocation of oil and gas tax revenue to the orphan share account.

Senate Bill 65 – Beginning January 1, 2004, the property tax exemption for residences of disabled or deceased veterans is expanded by increasing the income limits eligible for the exemption. Under prior law, disabled or deceased veterans were exempt from residential property taxation if their federal adjusted gross income was less than \$30,000 if single and \$36,000 if married. The legislation provides a partial exemption for veterans with incomes higher than these amounts as shown in the following table. The percentage multiplier is the percentage by which qualifying veterans' residential property is subject to property taxation. As a result, the 95 mill property tax revenue declines by \$109,857 in fiscal 2005. The six mill property tax revenue declines by \$6,939 in fiscal 2005.

Income		Percentage Multiplier
Single	Married	
\$0 - \$30,000	\$0 - \$36,000	0%
\$30,001-\$33,000	\$36,001-\$39,000	20%
\$33,001-\$36,000	\$39,001-\$42,000	30%
\$36,001-\$39,000	\$42,001-\$45,000	50%

Senate Bill 159 – Beginning tax year 2003, property on railroad land leased by a nonprofit organization is exempt from property taxation. The 95 mill property tax revenue is reduced by \$1,073 in each year of the 2005 biennium and the six mill property tax revenue is reduced by \$68 in each year of the 2005 biennium.

Senate Bill 138 – Under prior law, alternative energy generation facilities with a nameplate capacity of at least 1 megawatt built after July 1, 2001 were exempt from property tax. Beginning tax year 2002, the property tax exemption for machinery and equipment used in qualifying electrical generation facilities built and operated after July 1, 2001 is eliminated. This property will qualify for the property tax reduction for new and expanded industries. Increased general fund revenue from the 95 mill property tax will be \$142,500 in fiscal 2004 and \$285,000 in fiscal 2005. Six mill property tax revenue will increase \$9,000 in fiscal 2004 and \$18,000 in fiscal 2005.

Senate Bill 294 – Under prior law, payments of protested property taxes were deposited into a protest fund and were not available for use by the state or other jurisdictions. Beginning with taxes paid under protest on centrally assessed property after October 31, 2000, the state share is required to be remitted to the state treasurer for deposit in the general fund, or in the case of the 6 mill portion, to the 6 mill state special revenue account. Revenue from the 95 mill property tax increases \$8,359,523 in fiscal 2004 and \$2,660,278 in fiscal 2005. Revenue from the 6 mill property tax increases \$524,876 in fiscal 2004 and \$167,033. The increases in fiscal 2004 are the result of payments associated with protests in tax years 2000 through 2003.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

Senate Bill 461 – Under prior law, beginning January 1, 2003, class 3 property (agricultural land), class 4 property (residential and commercial), and class 10 property (timberland) were reappraised. The preliminary average percentage increases in appraised value statewide were: 1) class 3 agricultural – 15.3 percent; 2) class 4 residential – 20.2 percent; 3) class 4 commercial – 18.5 percent; 4) class 4 timberland – zero percent. The new appraised value of these properties will be phased-in over the next six years, unless the property dropped in value, in which case the new appraised value will be recognized immediately. The tax rates and exemption percentages would have remained constant. In the

SB 461 Tax Rates and Exemption Percentages for Class 4 Residential and Commercial Property

Fiscal Year	Tax Rate	Class 4	Class 3	Class 4
		Residential Exemption	Multi Family Housing Exemption	Commercial Exemption
2003 (prior law)	3.46%	31.0%	31.0%	13.0%
2004	3.40%	31.0%	31.0%	13.0%
2005	3.30%	31.4%	31.4%	13.3%
2006	3.22%	32.0%	32.0%	13.8%
2007	3.14%	32.6%	32.6%	14.2%
2008	3.07%	33.2%	33.2%	14.6%
2009	3.01%	34.0%	34.0%	15.0%

absence of any changes, reappraisal would have raised state revenue by \$2.017 million in fiscal 2004 and \$6.118 million in fiscal 2005. With the passage of Senate Bill 461, beginning January 1, 2003, the impacts of reappraisal are mitigated by: 1) phasing down the tax rate for class 3 and class 4 property from 3.46 percent to 3.01 percent over a six-year period; 2) phasing up the homestead and comstead exemptions for class 4 residential and commercial property over a six-year period; and 3) allowing an additional tax rate reduction for residential dwellings with extraordinary increases in value due to reappraisal. The table above shows the new tax rates and the new homestead and comstead exemption amounts for properties without extraordinary increases in value. The table on the left shows the changes in taxable value in class 3 agricultural land, class 4 residential property, class 4 multi-family commercial property, and class 4 other

Figure 13

Change in Taxable Value & Revenue Due to SB461

Taxable Value Change		
Property	Fiscal 2004	Fiscal 2005
Ag Land - Class 3	(\$2,616,045)	(\$6,909,737)
Residential - Class 4	(14,648,298)	(43,374,147)
Multi-Family - Class 4	(577,268)	(1,739,013)
Commercial - Class 4	(2,303,485)	(11,613,740)
Total Change	(\$20,145,096)	(\$63,636,637)
Revenue Change		
Mills	Fiscal 2004	Fiscal 2005
Revenue Loss to 95 Mills	(\$1,913,784)	(\$6,045,481)
Revenue Loss to 1.5 Mills	(\$10,677)	(\$33,727)

commercial property. Also shown are reductions in general fund revenue for the 95 mills and 1.5 mills and reductions in 6 mill revenue.

The legislation also contains provisions for special tax rates for certain qualifying property whose owners meet certain income test levels, have increases in taxable value exceeding certain threshold levels, and whose property taxes have increased by at least \$250. The table below shows the tax rate factors used to calculate the new tax rates for various income levels, taxable value change thresholds, and tax increases.

Figure 14

Tax Rate Factors for Properties with Extraordinary Value Increases Due to Reappraisal

	Household Income Levels		
	\$0 - 25,000	\$25,001 - \$50,000	\$50,000 - \$75,000
Taxable Value Change Threshold	> 24%	> 30%	> 36%
Property Tax Change Threshold	> \$250	> \$250	> \$250
Fiscal Year	2004	2005	2006
	3.598%	3.633%	3.668%
	2005	3.759%	3.828%
	2006	3.932%	4.038%
	2007	4.109%	4.251%
	2008	4.289%	4.467%
	2009	4.485%	4.702%

Tax Rate Factors yield the tax rates for each property by multiplying the tax rate factor by the appraised value before reappraisal then dividing by the phased-in appraised value in the fiscal year. Property qualifying not to exceed 5 acres; income is total household income except social security income paid directly to a nursing home.

Taxable value change is measured as the new phased-in appraised value times 66% times 3.01% less tax year 2002 appraised value times 69% times 3.46%. This difference is divided by the product of the tax year 2002 appraised value and 69% times 3.46%.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

Non Levy Revenue includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

FEDERAL FOREST RECEIPTS

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

?? 66 2/3% goes to the general fund of the county

?? 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year:
county equalization accounts (55 mills), county transportation account, county retirement accounts

Statute: Title 17, Chapter 3, MCA

% of Total FY 2002 General Fund Revenue: Included in total property tax contribution.

COAL GROSS PROCEEDS TAX

Revenue Description: The state imposes a gross proceeds tax of 5.0 percent on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

Applicable Tax Rate(s): The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

Distribution: The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for

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Property Tax and Non Levy Revenue

the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year.

Statute: Title 15, Chapter 23, Part 7, MCA

% of Total FY 2002 General Fund Revenue: Included in total property tax contribution.

OTHER REVENUE

Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

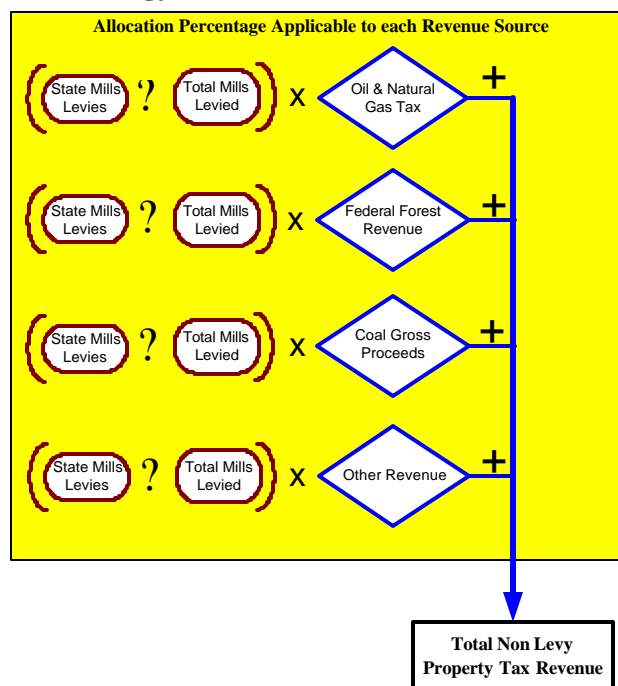
Applicable Tax Rate(s): N/A

Distribution: Varies

Statute: Various

% of Total FY 2002 General Fund Revenue: Included in total property tax contribution.

Forecast and Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill	Total State
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	143.879919	10.810197	23.445540	2.584415	0.860822	0.121110	37.822084
Actual	2001	137.612440	5.250599	16.481593	1.758272	0.177330	0.126396	23.794190
Actual	2002	73.008398	4.649510	16.144329	1.578894	0.000000	0.020201	22.392934
Forecast	2003	72.739326	4.591890	16.055907	1.319162	0.000000	0.000000	21.966959
Forecast	2004	75.655875	4.979180	16.733513	1.392957	0.000000	0.000000	23.105650
Forecast	2005	74.287102	4.936210	16.571961	1.369748	0.000000	0.000000	22.877919

	t	Corporate	Vehicle	Oil	Gas	Coal
	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	8.406195	68.580047	23.112140	12.581713	10.785058
Actual	2001	0.000000	62.172220	25.583242	18.520482	11.330157
Actual	2002	0.000000	0.000000	22.141449	17.446846	10.470137
Forecast	2003	0.000000	0.000000	40.654094	0.000000	10.328402
Forecast	2004	0.000000	0.000000	44.513881	0.000000	10.506798
Forecast	2005	0.000000	0.000000	44.564994	0.000000	10.201349

	t	Other	PPR	Forest	Other
	Fiscal	Vehicles	Millions	Millions	Millions
Actual	2000	0.000000	11.559045	6.283122	2.572599
Actual	2001	0.000000	10.274706	7.185037	2.546596
Actual	2002	0.000000	8.990368	11.400000	2.559598
Forecast	2003	0.000000	7.706030	11.491202	2.559598
Forecast	2004	0.000000	6.421692	11.653906	2.559598
Forecast	2005	0.000000	5.137353	11.823808	2.559598

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Corporate	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	1.148824	0.000000	0.072211	0.010388
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2003	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2004	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2005	0.000000	0.000000	0.000000	0.000000	0.000000

	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Vehicle	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	6.816308	9.372424	1.022460	0.589115	0.084749
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.103309
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2003	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2004	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2005	0.000000	0.000000	0.000000	0.000000	0.000000

Other	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Vehicle	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2003	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2004	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2005	0.000000	0.000000	0.000000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax and Non Levy Revenue

	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Oil & Gas	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	3.993889	5.897507	0.653196	0.000000	0.000000
Actual	2001	5.250599	7.721138	0.854483	0.000000	0.000000
Actual	2002	4.649510	6.843304	0.757447	0.000000	0.000000
Forecast	2003	4.591890	6.776192	0.750418	0.000000	0.000000
Forecast	2004	4.979180	7.352596	0.814390	0.000000	0.000000
Forecast	2005	4.936210	7.294105	0.808001	0.000000	0.000000

	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Coal	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	4.454186	0.593890	0.000000	0.000000
Actual	2001	0.000000	4.679310	0.623906	0.000000	0.000000
Actual	2002	0.000000	4.324125	0.576549	0.000000	0.000000
Forecast	2003	0.000000	4.265589	0.568744	0.000000	0.000000
Forecast	2004	0.000000	4.339266	0.578567	0.000000	0.000000
Forecast	2005	0.000000	4.213116	0.561747	0.000000	0.000000

Pers.	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Property	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	0.000000	0.314869	0.199496	0.025973
Actual	2001	0.000000	0.000000	0.279883	0.177330	0.023087
Actual	2002	0.000000	0.000000	0.244898	0.000000	0.020201
Forecast	2003	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2004	0.000000	0.000000	0.000000	0.000000	0.000000
Forecast	2005	0.000000	0.000000	0.000000	0.000000	0.000000

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Revenue Estimate Profile

Property Tax and Non Levy Revenue

	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Forest	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	0.000000	1.534549	0.000000	0.000000	0.000000
Actual	2002	0.000000	2.417302	0.000000	0.000000	0.000000
Forecast	2003	0.000000	2.454528	0.000000	0.000000	0.000000
Forecast	2004	0.000000	2.482053	0.000000	0.000000	0.000000
Forecast	2005	0.000000	2.505142	0.000000	0.000000	0.000000

	t	40 Mill	55 Mill	6 Mill	9 Mill	1.5 Mill
Other	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	2.572599	0.000000	0.000000	0.000000
Actual	2001	0.000000	2.546596	0.000000	0.000000	0.000000
Actual	2002	0.000000	2.559598	0.000000	0.000000	0.000000
Forecast	2003	0.000000	2.559598	0.000000	0.000000	0.000000
Forecast	2004	0.000000	2.559598	0.000000	0.000000	0.000000
Forecast	2005	0.000000	2.559598	0.000000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the university.

Summary of Legislative Action:

Property Tax: 55 Mill -- Legislation Passed by 58th Legislature Estimated General Fund Impact for the 2005 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
HB0748 Simplification of oil and natural gas tax distribution		(7,352,596)	(7,294,105)
SB0065 Revise veteran's property tax and vehicle fee benefits			(63,601)
SB0138 Revise tax laws on alternative energy and energy conservation		82,500	165,000
SB0159 Tax exemption for certain RR property leased to nonprofit organization		(621)	(621)
SB0294 Revise interest rate applied to refund of protested property taxes		4,839,724	1,540,161
SB0461 Mitigate effects of cyclical reappraisal		(1,107,980)	(3,500,015)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$3,538,973)</u>	<u>(\$9,153,181)</u>

Statute: Title 15, Chapter 6, MCA

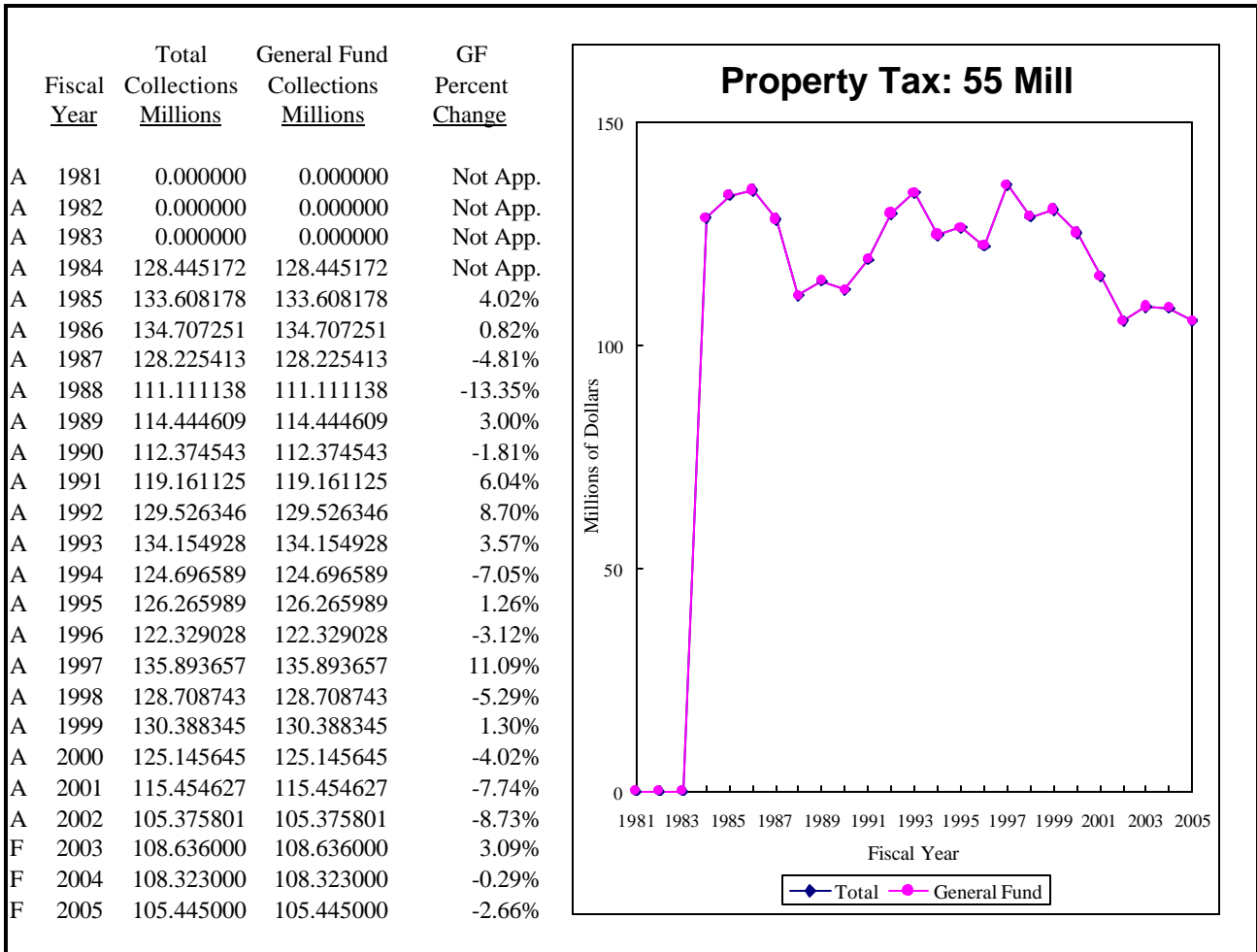
% of Total FY 2002 General Fund Revenue: 0.00 %

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Projection:

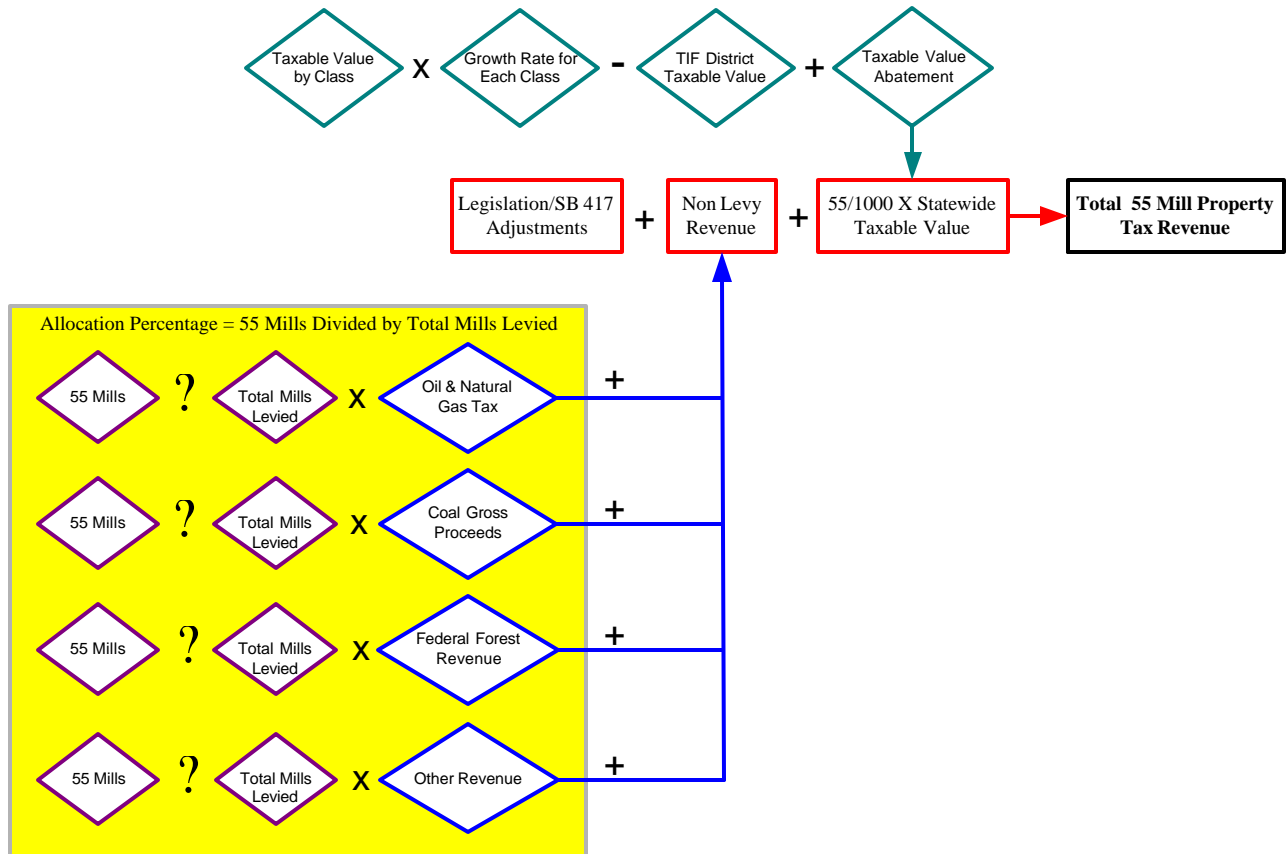


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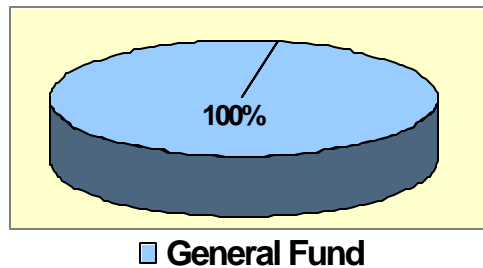
Revenue Estimate Profile

Property Tax: 55 Mill

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Tax. Value	Mills/1000	Non-Levy	Adjustments
	Fiscal	Millions	Millions	Millions	Applied	Millions	Millions
Actual	2000	125.145645	125.145645	1863.986815	0.055000	23.445540	0.274000
Actual	2001	115.454627	115.454627	1656.909416	0.055000	16.482000	4.933824
Actual	2002	105.375801	105.375801	1671.589714	0.055000	16.144000	0.000000
Forecast	2003	108.636000	108.636000	1691.085799	0.055000	16.056000	-0.430000
Forecast	2004	111.862000	111.862000	1737.421082	0.055000	16.734000	-0.430000
Forecast	2005	114.598000	114.598000	1790.114905	0.055000	16.572000	-0.430000

	t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Forecast	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	3.823687	0.216414
Forecast	2004	8.691402	8.753474	138.483395	1042.988900	36.372900	0.000000	0.254936
Forecast	2005	8.691402	8.478781	138.067945	1084.708456	37.391341	0.000000	0.300315

	t	Class 8	Class 9	Class 10	Class 12	Class 13	TIF's	Abatement
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Forecast	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Forecast	2003	120.057884	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Forecast	2004	124.620084	210.487325	7.496843	47.896340	139.928544	32.423061	3.870000
Forecast	2005	129.355647	214.697072	7.561841	48.393504	142.727115	34.128514	3.870000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Description: Montana law requires counties to levy a state equalization levy of 40 mills against all taxable value in the state. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. Beginning January 1, 2003, livestock will no longer be taxed.

Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. In the 1997 legislative session, SB 195 forestalled large property tax increases by phasing in the new reappraisal values at 2 percent per year, and phasing down tax rates over 50 years. These provisions were in effect for two years. After these provisions were struck down by the Montana Supreme Court, SB184, passed during the 1999 session, required that appraised values be phased-in over four years, and required that future reappraisal cycles be six years. At the same time, a homestead exemption was created and phased-in for residential and commercial real estate. Tax rates for residential and commercial real estate, agricultural land and timberland were phased-down.

Beginning January 1, 2003, residential and commercial property as well as agricultural land and timberland will reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. Assessed value increases due to reappraisal averaged 20.2 percent for residential property, 18.5 percent for commercial property and 15.3 percent for agricultural property.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the university levy.

Summary of Legislative Action:

Property Tax: 40 Mill -- Legislation Passed by 58th Legislature Estimated General Fund Impact for the 2005 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
HB0748 Simplification of oil and natural gas tax distribution		(4,979,180)	(4,936,210)
SB0065 Revise veteran's property tax and vehicle fee benefits			(46,256)
SB0138 Revise tax laws on alternative energy and energy conservation		60,000	120,000
SB0159 Tax exemption for certain RR property leased to nonprofit organization		(452)	(452)
SB0294 Revise interest rate applied to refund of protested property taxes		3,519,799	1,120,117
SB0461 Mitigate effects of cyclical reappraisal		(805,804)	(2,545,466)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$2,205,637)</u>	<u>(\$6,288,267)</u>

Legislative Fiscal Division

Revenue Estimate Profile

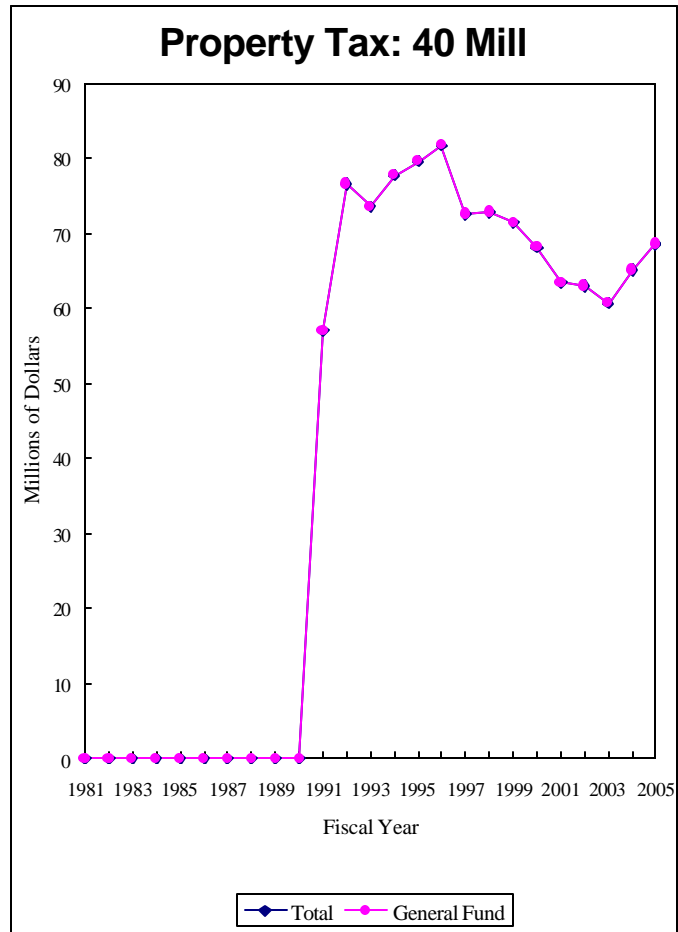
Property Tax: 40 Mill

Statute: Title 15, Chapter 6, MCA

% of Total FY 2002 General Fund Revenue: 13.38 %

Revenue Projection:

Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A 1981	0.000000	0.000000	Not App.
A 1982	0.000000	0.000000	Not App.
A 1983	0.000000	0.000000	Not App.
A 1984	0.000000	0.000000	Not App.
A 1985	0.000000	0.000000	Not App.
A 1986	0.000000	0.000000	Not App.
A 1987	0.000000	0.000000	Not App.
A 1988	0.000000	0.000000	Not App.
A 1989	0.000000	0.000000	Not App.
A 1990	0.000000	0.000000	Not App.
A 1991	56.993458	56.993458	Not App.
A 1992	76.611683	76.611683	34.42%
A 1993	73.491444	73.491444	-4.07%
A 1994	77.685356	77.685356	5.71%
A 1995	79.576682	79.576682	2.43%
A 1996	81.753560	81.753560	2.74%
A 1997	72.560534	72.560534	-11.24%
A 1998	72.792875	72.792875	0.32%
A 1999	71.370740	71.370740	-1.95%
A 2000	68.119545	68.119545	-4.56%
A 2001	63.423977	63.423977	-6.89%
A 2002	63.044975	63.044975	-0.60%
F 2003	60.701000	60.701000	-3.72%
F 2004	65.095000	65.095000	7.24%
F 2005	68.554000	68.554000	5.31%

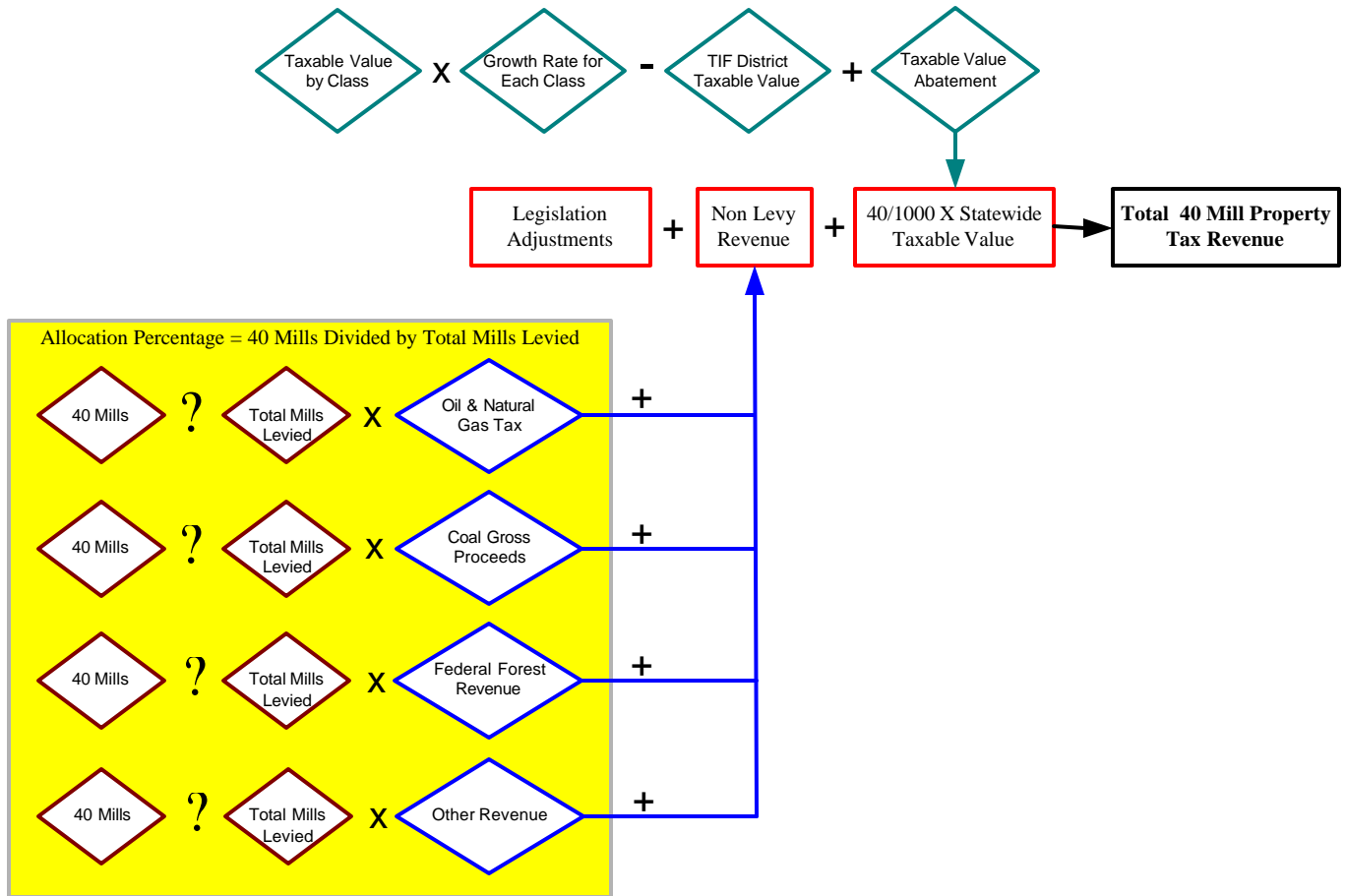


Legislative Fiscal Division

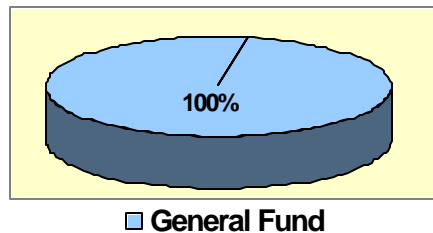
Revenue Estimate Profile

Property Tax: 40 Mill

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Tax. Value	Mills/1000	Non-Levy	Adjustments
	Fiscal	Millions	Millions	Millions	Applied	Millions	Millions
Actual	2000	68.119545	68.119545	1863.986815	0.040000	10.810197	-12.712919
Actual	2001	63.423977	63.423977	1656.909416	0.040000	5.251000	-11.300000
Actual	2002	63.044975	63.044975	1671.589714	0.040000	4.650000	-9.888000
Forecast	2003	60.701000	60.701000	1691.085799	0.040000	4.592000	-8.475000
Forecast	2004	67.301000	67.301000	1737.421082	0.040000	4.979000	-7.063000
Forecast	2005	74.842000	74.842000	1790.114905	0.040000	4.936000	-5.650000

	t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Forecast	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	3.823687	0.216414
Forecast	2004	8.691402	8.753474	138.483395	1042.988900	36.372900	0.000000	0.254936
Forecast	2005	8.691402	8.478781	138.067945	1084.708456	37.391341	0.000000	0.300315

	t	Class 8	Class 9	Class 10	Class 12	Class 13	TIF's	Abatement
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	215.7480920	498.0302370	8.5200900	68.1925880	0.0000000	44.5355770	7.8747870
Actual	2001	112.7827340	230.8329780	8.7088490	49.6414440	147.1427500	28.4288400	7.8747870
Forecast	2002	116.6052090	219.9557670	8.1987880	48.6583800	144.4880950	30.5295630	3.8798300
Forecast	2003	120.0578840	206.3601230	7.1702390	46.6884790	137.1848470	30.8028320	3.8700000
Forecast	2004	124.6200840	210.4873250	7.4968430	47.8963400	139.9285440	32.4230610	3.8700000
Forecast	2005	129.3556470	214.6970720	7.5618410	48.3935040	142.7271150	34.1285140	3.8700000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Description: Montana law requires counties to levy a University levy of 6 mills against all taxable value in a county for use by the university system. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. Beginning January 1, 2003, livestock will no longer be taxed.

Residential and commercial real estate, agricultural land and timberland were reappraised in tax year 1997. In the 1997 legislative session, SB 195 forestalled large property tax increases by phasing in the new reappraisal values at 2 percent per year, and phasing down tax rates over 50 years. These provisions were in effect for two years. After these provisions were struck down by the Montana Supreme Court, SB184, passed during the 1999 session, required that appraised values be phased-in over four years, and required that future reappraisal cycles be six years. At the same time, a homestead exemption was created and phased-in for residential and commercial real estate. Tax rates for residential and commercial real estate, agricultural land and timberland were phased-down.

Beginning January 1, 2003, residential and commercial property as well as agricultural land and timberland will reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. The impact of reappraisal on assessed values is unknown at this time. Tax rates and the homestead exemptions for tax years 2003 and beyond are frozen at their tax year 2002 levels and require legislation to be changed.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All tax receipts are deposited into the university system 6 mill levy state special revenue account.

Summary of Legislative Action:

Property Tax: 6 Mill -- Legislation Passed by 58th Legislature Estimated Non-General Fund Impact for the 2005 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
HB0748 Simplification of oil and natural gas tax distribution		(814,390)	(808,001)
SB0065 Revise veteran's property tax and vehicle fee benefits			(6,939)
SB0138 Revise tax laws on alternative energy and energy conservation		9,000	18,000
SB0159 Tax exemption for certain RR property leased to nonprofit organization		(68)	(68)
SB0294 Revise interest rate applied to refund of protested property taxes		524,876	167,033
SB0461 Mitigate effects of cyclical reappraisal		(120,871)	(381,820)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$401,453)</u>	<u>(\$1,011,795)</u>

Legislative Fiscal Division

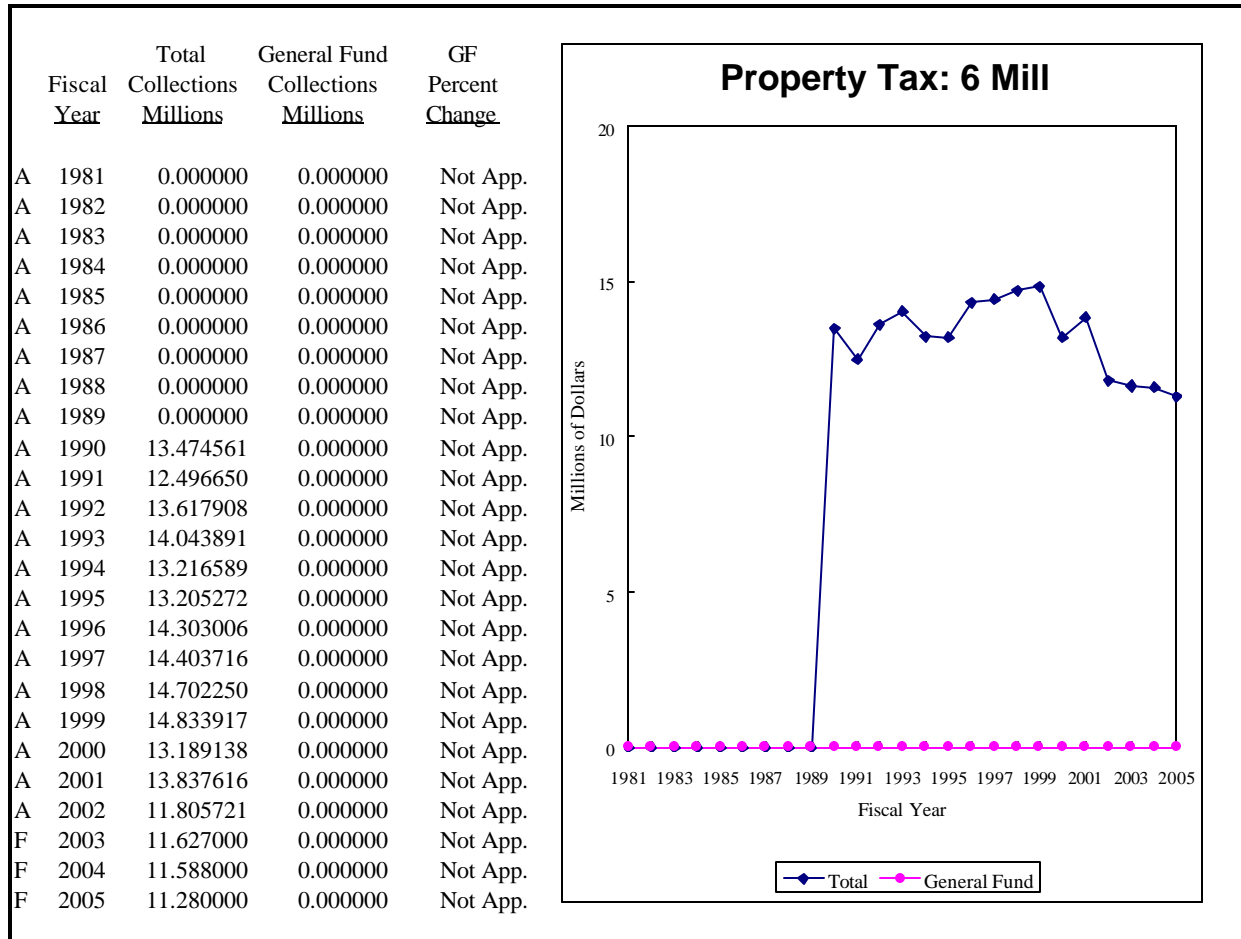
Revenue Estimate Profile

Property Tax: 6 Mill

Statute: Title 15, Chapter 6, MCA

% of Total FY 2002 General Fund Revenue: 0.00 %

Revenue Projection:

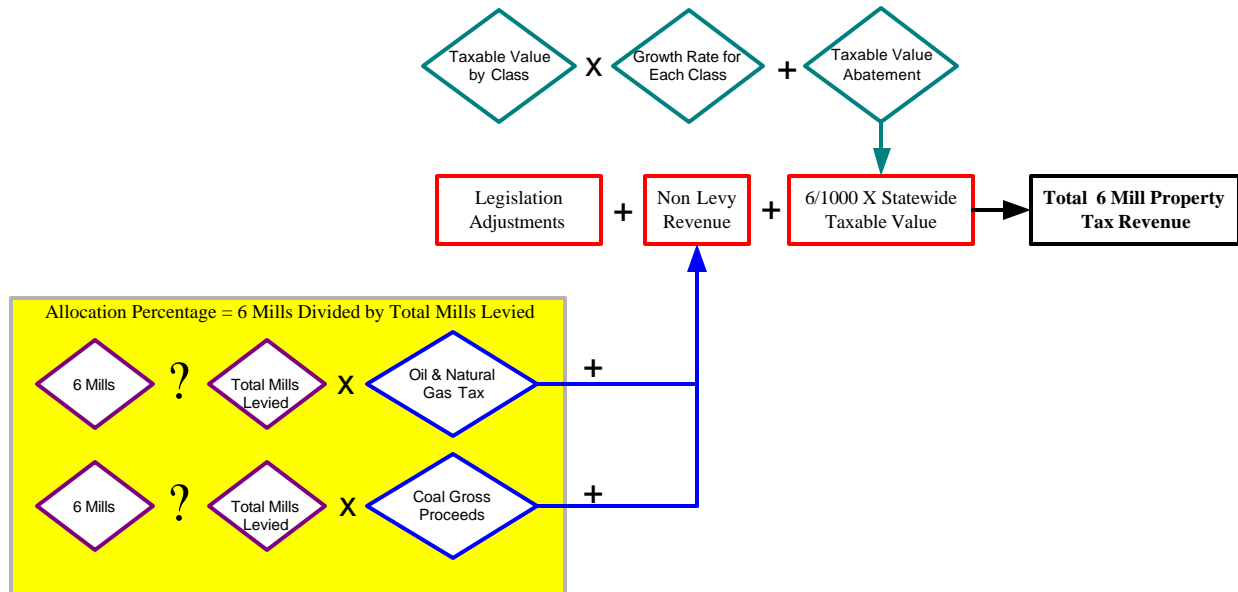


Legislative Fiscal Division

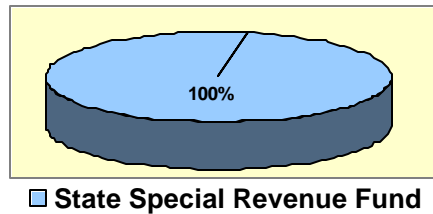
Revenue Estimate Profile

Property Tax: 6 Mill

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Tax. Value	Mills/1000	Non-Levy	Adjustments
	Fiscal	Millions	Millions	Millions	Applied	Millions	Millions
Actual	2000	13.189138	0.000000	1900.647605	0.006000	2.584415	0.000000
Actual	2001	13.837616	0.000000	1677.463469	0.006000	1.758000	0.657843
Actual	2002	11.805721	0.000000	1698.239447	0.006000	1.579000	0.000000
Forecast	2003	11.627000	0.000000	1718.018631	0.006000	1.319000	0.000000
Forecast	2004	11.989000	0.000000	1765.974143	0.006000	1.393000	0.000000
Forecast	2005	12.292000	0.000000	1820.373419	0.006000	1.370000	0.000000

	t	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Forecast	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	3.823687	0.216414
Forecast	2004	8.691402	8.753474	138.483395	1042.988900	36.372900	0.000000	0.254936
Forecast	2005	8.691402	8.478781	138.067945	1084.708456	37.391341	0.000000	0.300315

	t	Class 8	Class 9	Class 10	Class 12	Class 13	TIF's	Abatement
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Forecast	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Forecast	2003	120.057884	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Forecast	2004	124.620084	210.487325	7.496843	47.896340	139.928544	32.423061	3.870000
Forecast	2005	129.355647	214.697072	7.561841	48.393504	142.727115	34.128514	3.870000

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Description: Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

Applicable Tax Rate(s): Varies according to property classification.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the university.

Summary of Legislative Action:

Property Tax: 1.5 Mill -- Legislation Passed by 58th Legislature Estimated General Fund Impact for the 2005 Biennium			
Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
SB0461 Mitigate effects of cyclical reappraisal		(10,677)	(33,727)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$10,677)</u>	<u>(\$33,727)</u>

Statute: Title 15, Chapter 6, MCA

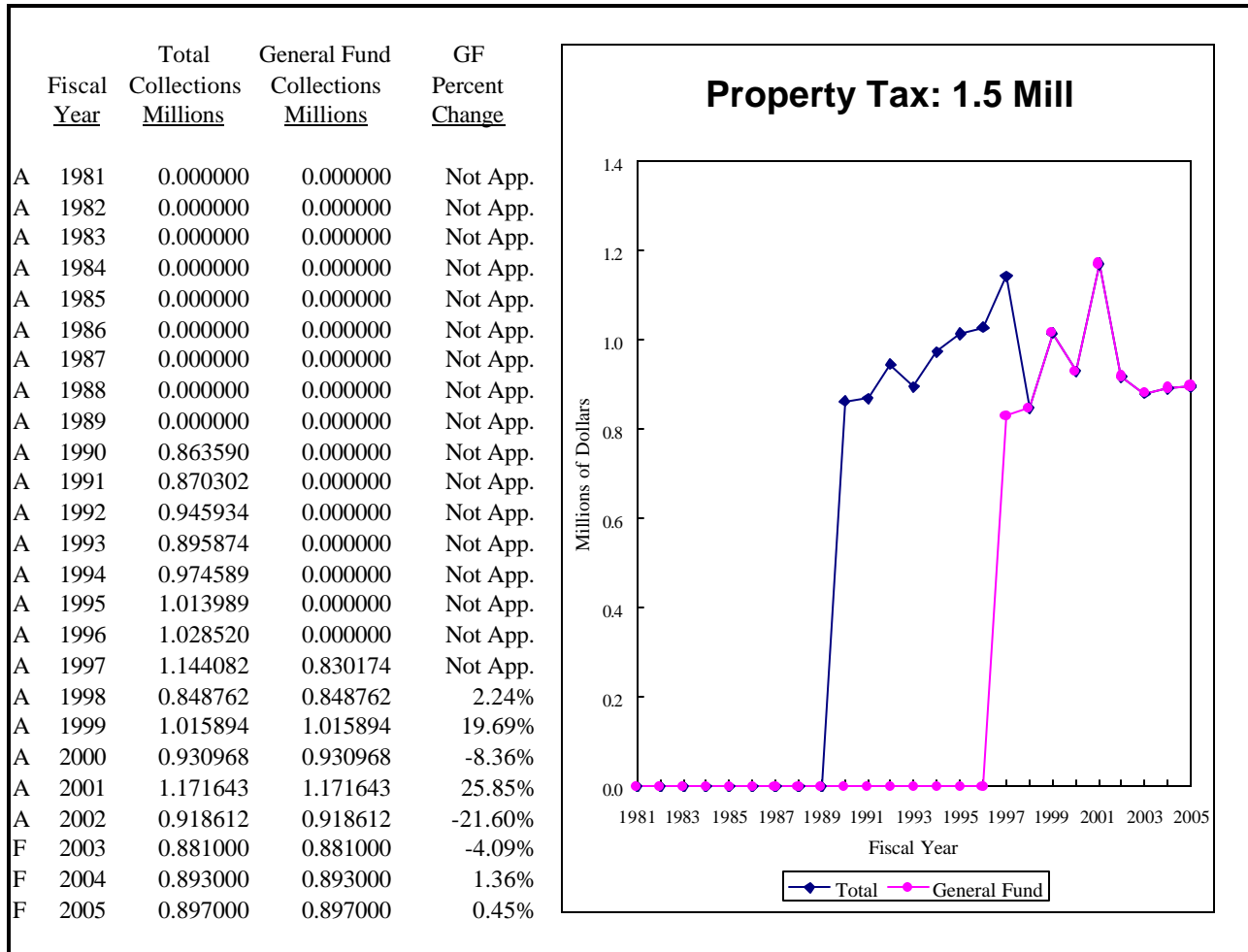
% of Total FY 2002 General Fund Revenue: 0.00 %

Legislative Fiscal Division

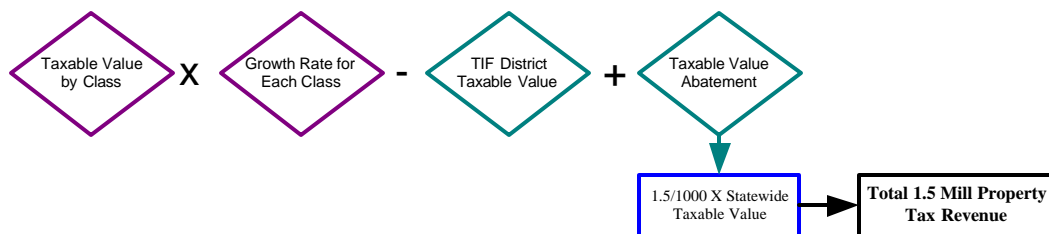
Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Projection:



Forecast Methodology

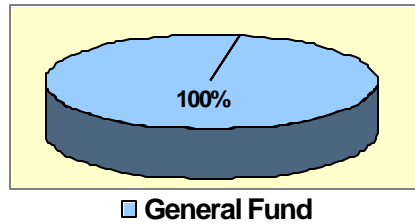


Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Distribution Methodology



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2003 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2000	0.930968	0.930968	618.047161	0.001500	0.121110	0.000000
Actual	2001	1.171643	1.171643	552.853841	0.001500	0.126000	0.038500
Actual	2002	0.918612	0.918612	563.452494	0.001500	0.020000	0.033688
Forecast	2003	0.881000	0.881000	587.106955	0.001500	0.000000	0.000000
Forecast	2004	0.904000	0.904000	602.780774	0.001500	0.000000	0.000000
Forecast	2005	0.931000	0.931000	620.676746	0.001500	0.000000	0.000000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Forecast	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	3.823687	0.216414
Forecast	2004	8.691402	8.753474	138.483395	1042.988900	36.372900	0.000000	0.254936
Forecast	2005	8.691402	8.478781	138.067945	1084.708456	37.391341	0.000000	0.300315

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Forecast	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Forecast	2003	120.057884	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Forecast	2004	124.620084	210.487325	7.496843	47.896340	139.928544	32.423061	3.870000
Forecast	2005	129.355647	214.697072	7.561841	48.393504	142.727115	34.128514	3.870000